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NABE Industry Survey

April 1988

This analysis presents the results of the latest survey of business conditions reported by members of the National Association of Business Economists at their individual companies. The survey was taken in mid-March and is being reported in April 1988. The Industrial Outlook Survey is one of three regular inquiries taken by NABE; the other two are the Policy Assessment Survey and the Macroeconomic Forecast Survey.

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Current Highlights

* Demand growth is strong--four times as many companies say unit volume of demand is "rising" as say it is "falling."

* Export business is very strong, with 2/3 of companies that export experiencing gains and none indicating declines.

* More companies are raising real capital expenditures than are reducing them.

* Some inflation pressures are apparent with the number of respondents reporting higher prices, wages, and input prices exceeding those indicating declines.

* Profit margins are continuing to rise.

Unit Demand

Over the last three months, economists responding to the NABE Industrial Survey report healthy demand gains: 53.6% indicate demand is rising, 31.9% say it is unchanged, and 13.0% report a fall. As the data below indicate, large majorities in goods-producing (mainly manufacturing) and in trade/transportation/communication/utilities (TTUC) are witnessing demand gains, while in other services--banks, thrifts, nonbank finance, consulting--the majority show either flat or declining demand.

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Sector	Percent Reporting that Demand* is: Rising	Staying the Same	Falling
Total	53.6%	31.9%	13.0%
Goods-Producing	60.0	32.0	8.0
TTUC	71.9	21.9	6.2
Other Services	37.5	37.5	21.4

* Rows may not sum to 100% due to several respondents who were unable to supply information.

Among all of those who said demand was rising, more said the pace had accelerated (28.4%) than that it had decelerated (17.6%). Among all of those who said demand was falling, more said the rate of decline had decelerated (31.6%) than that it had accelerated (15.8%).

In recent years, the survey had only included the goods-producing and the trade/transportation/utilities/communications (TTUC) sectors. Chart 1 shows the historical record of responses by this group. The March reading of 64.6% with rising demand is well above average (53.2% for the period shown). Chart 2 shows the pattern for goods-producing alone; the 60% rising at present is above average (52.3%), but there have been several instances in the last six years of much larger portions of the respondents reporting gains.

Other Measures of Current Activity - Employment, Inventories, Capital Spending

A variety of other measures also suggest a strengthening of business conditions. For instance, more companies are raising capital expenditures than are reducing them. The gainers clearly outnumber the decliners in goods-producing and in TTUC, while in other services, the fraction raising expenditures is the same as that lowering investment.

Sector	Percent Reporting that Real Capital Spending is: Rising	Staying the Same	Falling
Total	32.5%	50.4%	17.1%
Goods-Producing	34.0	57.4	8.5
TTUC	41.4	41.4	17.2
Other Services	25.5	48.9	25.5

The percentage of companies reporting employment gains (23.3%) was similar to that reporting declines (25.6%), with the remainder reporting unchanged employment. More respondents state inventories are rising (32.2%) as opposed to falling (20.3%). At the same time, somewhat more say the current level of inventories is too high (23.0%) than too low (13.1%), but most believe stock levels are about right (63.9%).

Charts 3-5 show the current figures on capital spending, employment, and inventory accumulation in historical perspective. Once again the historical record was only collected for goods-producing and TTUC.

Chart 1

UNIT DEMAND*

(Percent of Economists Reporting, Quarterly)

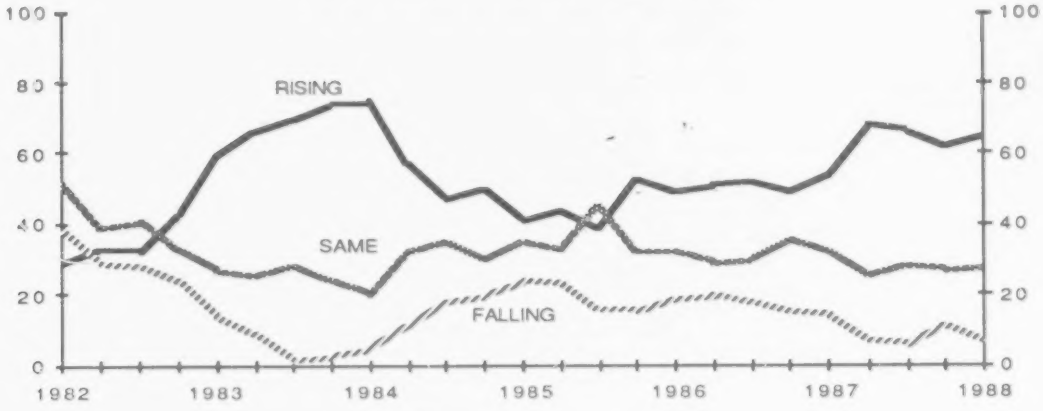


Chart 2

UNIT DEMAND--GOODS-PRODUCING

(Percent of Economists Reporting, Quarterly)

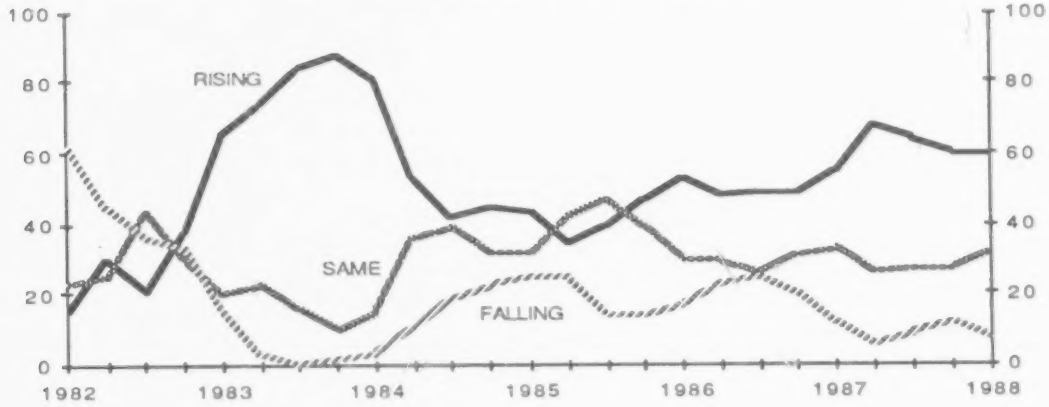
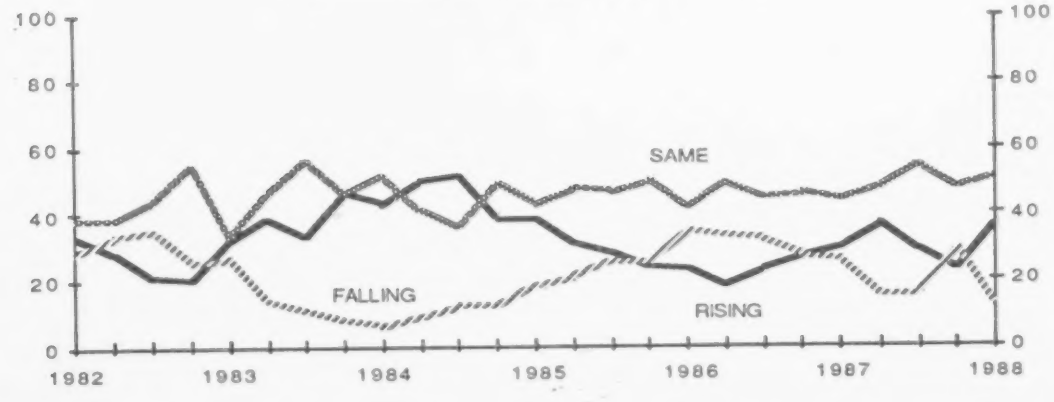


Chart 3

CAPITAL SPENDING*

(Percent of Economists Reporting, Quarterly)



*Includes Goods-Producing, Trade, Transportation, Public Utilities, & Communication sectors.

Chart 4

EMPLOYMENT*

(Percent of Economists Reporting, Quarterly)

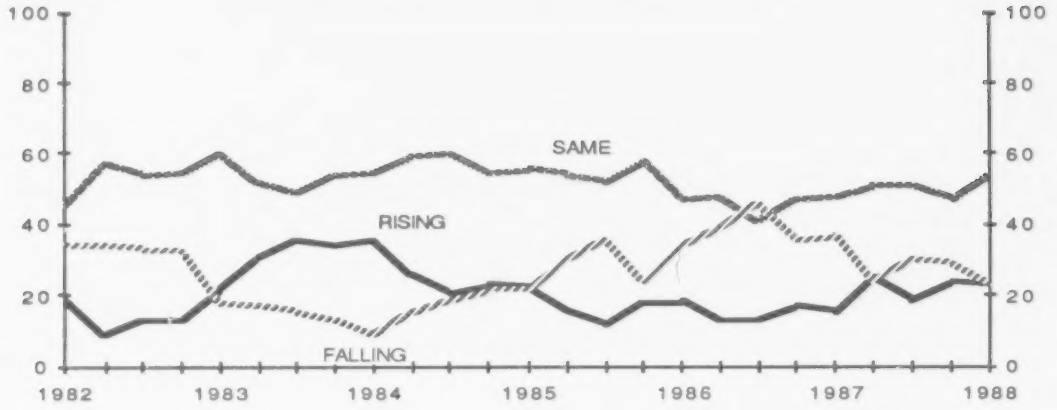


Chart 5

INVENTORIES*

(Percent of Economists Reporting, Quarterly)

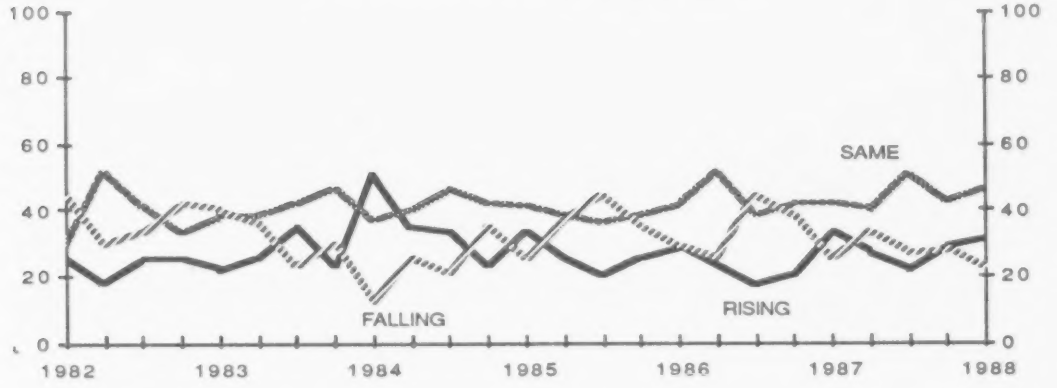
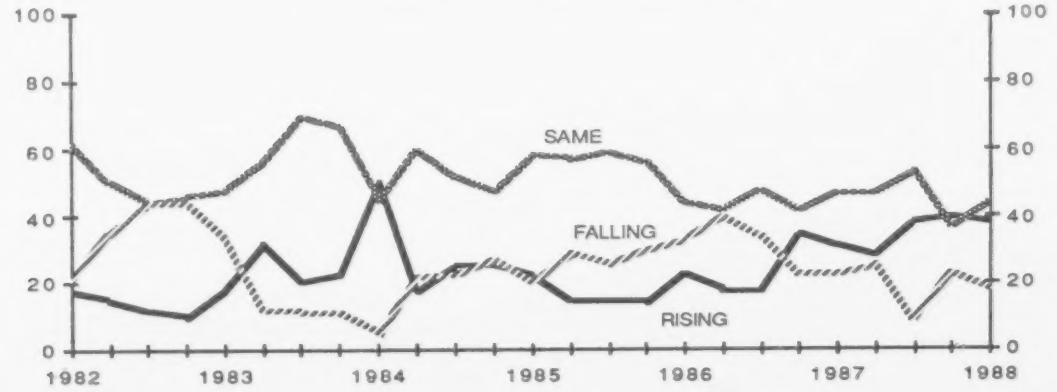


Chart 6

PRICES*

(Percent of Economists Reporting, Quarterly)



*Includes Goods-Producing, Trade, Transportation, Public Utilities, & Communication sectors.

Trade Performance

Most forecasts of the U.S. economy in 1988 show substantial improvement in net exports, which accounts for a large portion of the expected GNP advance. NABE members corroborate this anticipation. Of those companies involved in exporting, 67.3% report rising exports in the last three months, 32.7% indicate they are unchanged, and 0% state exports are declining. In manufacturing alone, 69.2% of the respondents report gains. Among those exporters who have seen advances in the last three months, 68.6% indicate that the pace of growth has accelerated; not even one says the rate of rise has decelerated.

Aside from increased exports, almost all (95.8%) of firms involved in international trade find some other effects of the lower value of the dollar in their business. The following list shows the responses that received the largest number of mentions (with multiple replies permitted):

Other Impacts of the Lower Dollar	Percent of Exporters
Reduced competitive pressure from imports	42.2%
Greater price competitiveness of company in foreign markets	38.0
Increased cost of imported materials	31.0
Greater ability in U.S. to increase selling prices	26.8
Increased overseas earnings	23.9
Company has received purchase offers from foreigners	12.7

When asked what international policies or actions would be most helpful in improving export business, the largest number of respondents (47.9%) listed faster economic growth overseas.

Prices, Costs and Profits

There are some signs of higher inflation in the current picture, although the pressures do not yet appear overwhelming. Members report that prices their companies charge for goods and services are rising over the last three months in 32.8% of the cases, are unchanged in 48.5%, and falling in 18.7%. Among those reporting price increases, more than a third (35.6%) indicate the pace of price advance has accelerated while only 13.3% report deceleration. The historical record of the NABE survey on prices is shown in Chart 6. The current reading--for goods-producing and TTUC--at 37.8% rising is slightly lower than in the prior survey, but the fraction has been on a rising trend over the last two years; also the proportion indicating falling prices is low by the standards of the last six years.

Along with the price pressures there are signs of increased production costs. 40.0% of respondents report rising wages and salaries, with 54.8% unchanged, and 5.2% falling; see Chart 7 for the historical record.

Chart 7

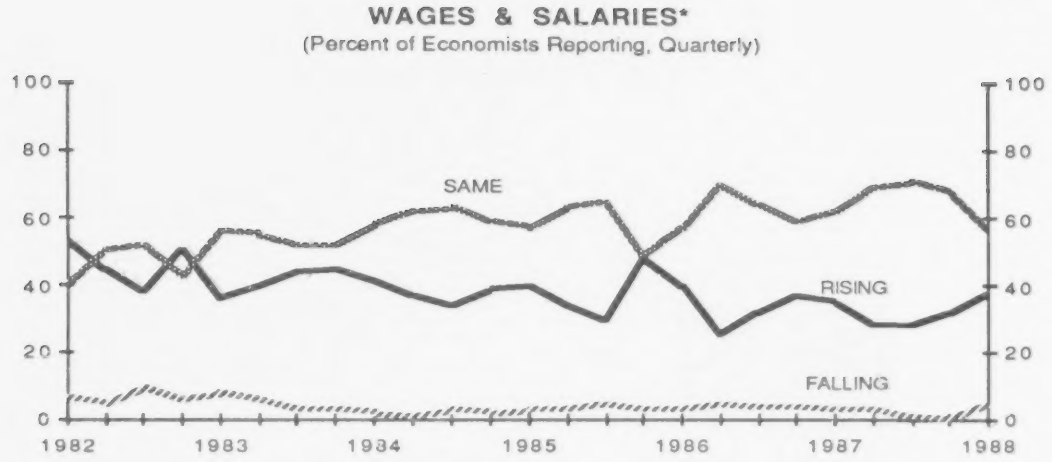
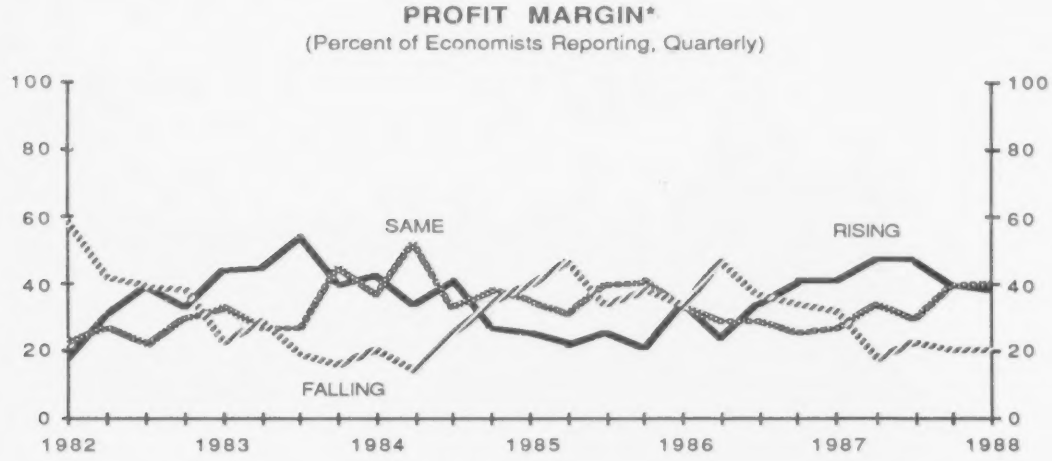


Chart 8



Input prices are gaining as well with 54.2% of respondents noting increases (and half of these stating that the pace of rise has accelerated in the last three months), 34.9% indicating unchanged input prices, and only 10.8% saying they were falling. But shortages of key inputs do not seem to be a major problem with 65.8% indicating no shortages; of the individual items noted, skilled labor was cited most frequently (by 16.2%) as being in short supply.

Profit margins appear to be gaining due to volume and price advances. During the last three months, 34.1% of companies have experienced rising margins, 42.0% find they are about the same, and in 23.8% of the cases there is a decline. Chart 8 shows the pattern.

*Includes Goods-Producing, Trade, Transportation, Public Utilities, & Communication sectors.

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NABE Industry Survey

July 1988

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Current Highlights

* Unit demand continues to rise, with three times as many companies experiencing gains compared with those seeing declines.

* More companies now report increases in capital spending than did in the prior industry survey.

* Export business remains on a strong expansionary track.

* Inflation pressures are mixed with a decline in the proportion reporting wage increases but an advance in those facing higher input prices.

* Neither minimum wage legislation nor a law requiring 60 days notice prior to plant closings are likely to have major effects upon costs or the way business is conducted according to NABE members.

Summary

Economists report expansion of demand, employment, and inventories at their firms. But in comparison to results found in March (and reported in April), the current conditions are less robust. Similarly, more respondents report that prices and wages are rising than indicate they are declining, but the gaps have narrowed from the last survey. The current survey, though, finds slightly more input price rises and profit margin gains. In addition, more firms are increasing capital expenditures.

Special questions about legislation that would raise the minimum wage and require notice before plants could be closed were included in this survey. Only a small proportion of the economists regard potential changes in these areas as having large impacts on their companies' business.

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Unit Demand

Demand remains relatively strong with 48.1% of economists indicating that unit demand has risen in the last three months. There are, however, some significant differences in the conditions among sectors with the trade, transportation, utilities, and communication (TTUC) and the goods-producing sectors reporting a preponderance of higher demands, while other services (banking, thrifts, nonbank financial, consulting, and other) are reporting mixed results. Here are the results from the latest survey:

	Percent Reporting that Demand is:		
Sector	Rising	Staying the Same	Falling
Total	48.1%	36.8%	15.0%
Goods-Producing	52.3	36.4	11.4
TTUC	61.3	29.0	9.7
Other Services	37.9	41.4	20.7

These findings are consistent with moderate economic growth, but they are less robust than the prior edition in which 53.6% of all respondents said demand was rising and only 13.0% said it was falling. We have plotted the percentage historically for goods-producing and TTUC together (which had been the only sectors included in the sample until just recently) and goods-producing by itself; see Charts 1 and 2. The current reading of 56.0% with rising demand for the combination is above the 53.3% average for the seven year period shown; for goods producing alone the present 52.3% who report rising demand is exactly equal to the average for the last seven years.

Capital Spending, Employment, Inventories Continue to Increase

Other signs of current business activity are generally in accord with growing demand. In particular, capital expenditures have been picking up with 40.8% of all respondents and 42.4% in the combination of goods-producing and TTUC reporting increases in the last three months; in the prior survey the percentages were 32.5% and 36.8%, respectively. See Chart 3 for the history.

Employment is increasing, but the percentages reporting both gains and losses have decreased in the latest survey; meanwhile a large fraction indicate no change:

Portion of All	Percentage Reporting that Employment is:		
Respondents in:	Rising	Staying the Same	Falling
June/July survey	21.2%	65.0%	13.9%
March/April survey	23.3	51.1	25.6

Inventories are rising in more companies (24.6%) than they are falling (17.5%). Some companies indicate the current level of inventories is too high (20.3%) and in others they are too low (15.3%), but most consider them to be about right (64.4%)

Chart 1

UNIT DEMAND*

(Percent of Economists Reporting, Quarterly)

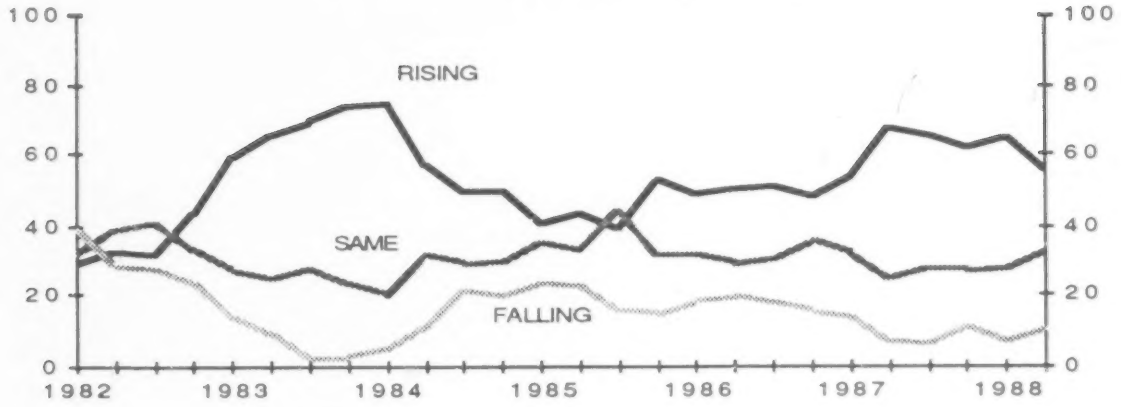


Chart 2

UNIT DEMAND--GOODS-PRODUCING

(Percent of Economists Reporting, Quarterly)

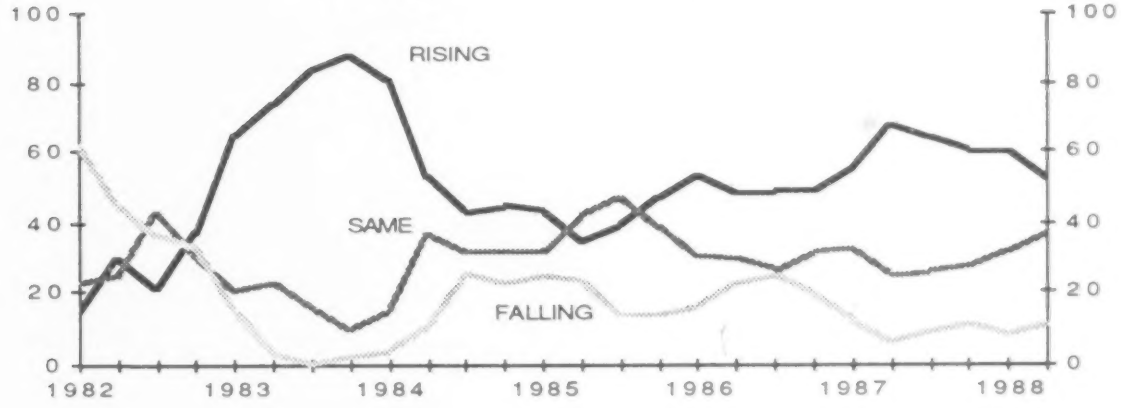
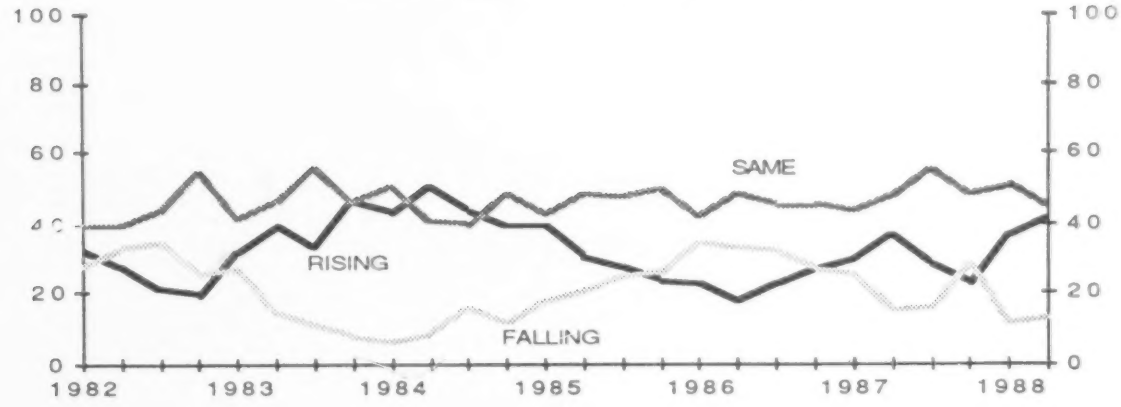


Chart 3

CAPITAL SPENDING*

(Percent of Economists Reporting, Quarterly)



*Includes Goods-Producing, Trade, Transportation, Public-Utilities, & Communication sectors.

Chart 4

EMPLOYMENT*

(Percent of Economists Reporting, Quarterly)

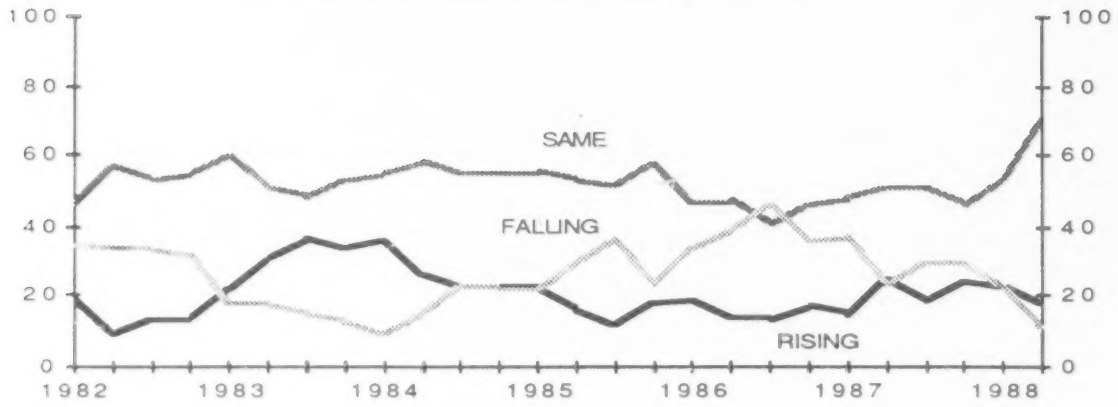


Chart 5

INVENTORIES*

(Percent of Economists Reporting, Quarterly)

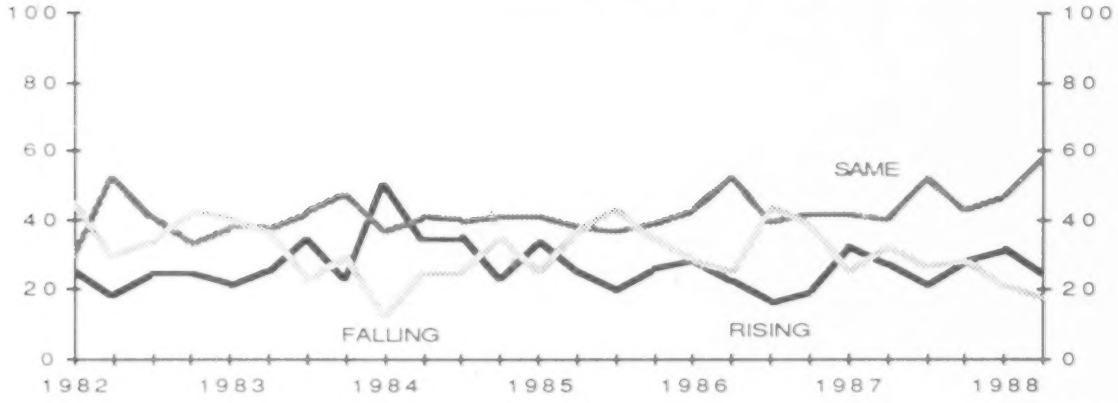
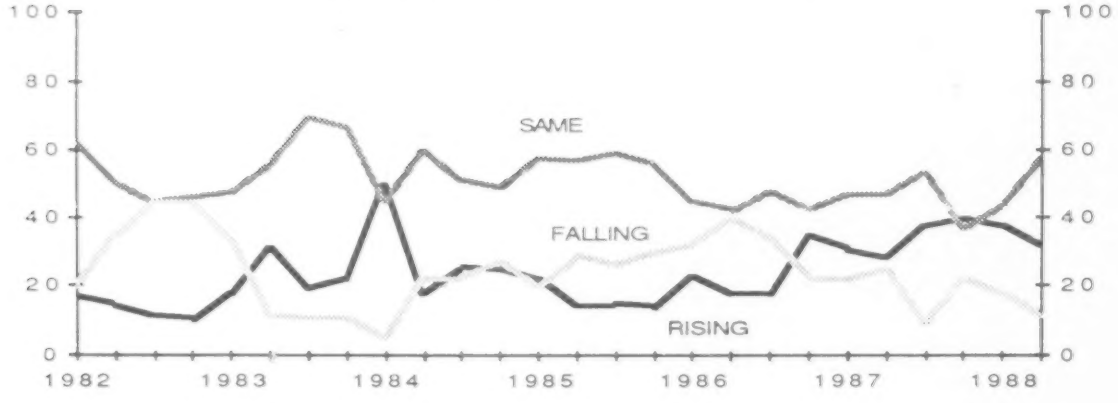


Chart 6

PRICES*

(Percent of Economists Reporting, Quarterly)



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See Charts 4 and 5 for the current employment and inventory changes covering the goods-producing and TTUC sectors in their historical context.

Export Business

A strong contributor to unit volume gains is export business. Among those companies that export, NABE members report 68.9% have seen rising exports in the last three months, while 28.9% say overseas demand is the same and only 2.2% indicate a decline. Among those with gains, 50% have seen acceleration in the growth of export demand and none has seen deceleration, while the remainder report either a steady rate of advance or a very recent turn up. In addition to improving export business, companies have seen a host of other changes due to the lower dollar such as: greater price competitiveness in foreign markets, reduced competitive pressure from imports, increased overseas earnings, increased cost of imported materials, and greater pricing flexibility in the United States.

Prices, Costs, and Profits

The inflation signals are mixed in the current survey. Prices charged by companies in the entire sample are rising in many more cases than they are falling, but the proportion rising has eased a bit between the last two inquires, while the proportion falling has decreased more significantly:

	Percentage Reporting that Prices Charged are:		
Survey Date:	Increasing	Unchanged	Falling
June/July	31.1%	62.2%	6.7%
March/April	32.8	48.5	18.7

The portion of companies raising wages and salaries also dropped in the latest survey to 32.8%, from 40.0% previously. But while this moderating tendency was occurring, input prices have continued to advance markedly with 55.7% of respondents finding higher prices in the last three months versus 54.2% in the previous survey; moreover, among those facing higher input prices 59.6% say the pace of rise has accelerated. In addition, there are more signs of shortages or at least tight supply conditions as the following comparison suggests:

	Surveys Taken/Reported in:	
Percent Reporting Shortages of:	March/April	June/July
Skilled labor	16.2%	25.9%
Unskilled labor	9.4	11.2
Intermediate (partly processed) inputs	8.6	14.7
Raw material inputs	8.6	8.6
Capital goods	0.8	5.2
No shortages	65.8	56.0

Profit margins continue to do well with more firms reporting increases (35.3%) than decreases (24.1%) in the last three months. Charts 6-8 provide survey results for prices, wages, and profit margins in goods-producing and TTUC.

Chart 7

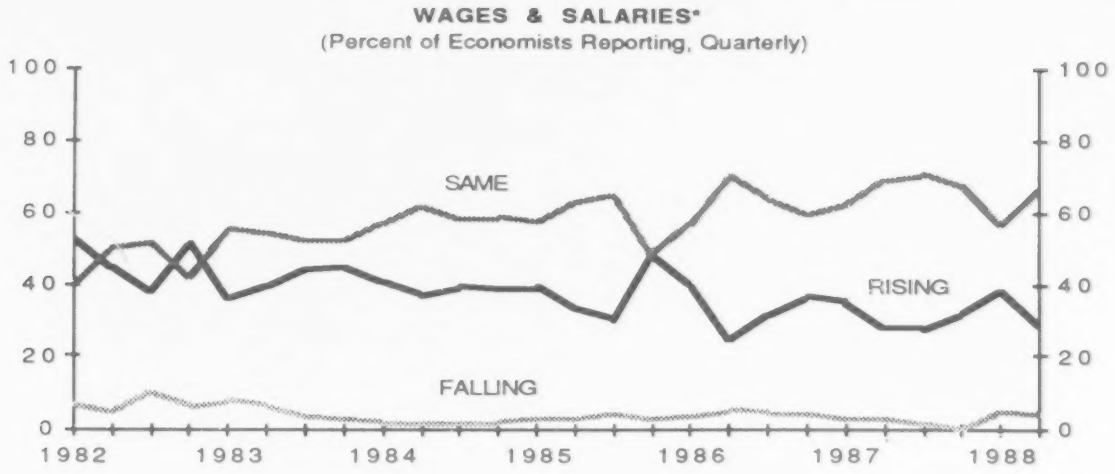
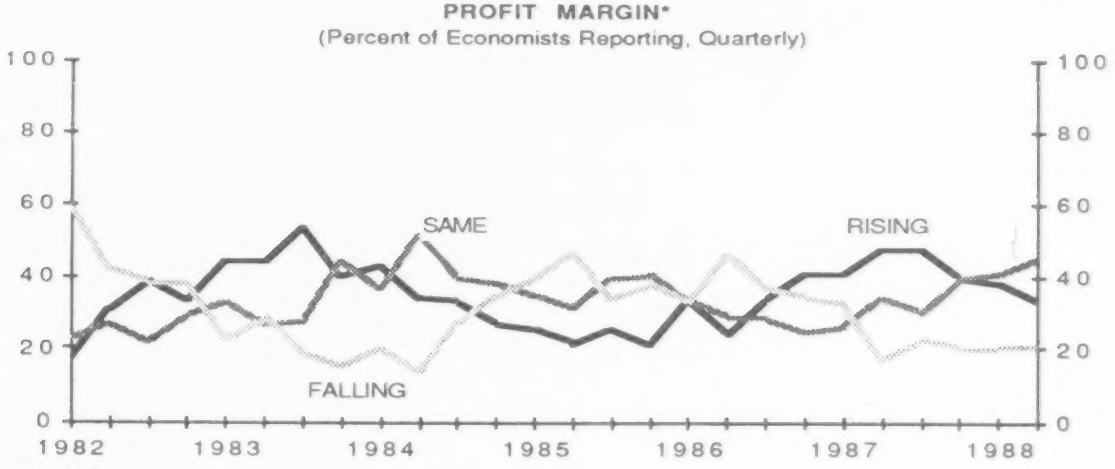


Chart 8



Special Questions

The new survey asked special questions about the potential impacts of minimum wage legislation and the tighter labor market. In general respondents thought the changes would produce minor or no effects. The results may be summarized as follows:

	Percent Expecting		
	Major Impact	Minor Impact	No Impact
Direct impact (own company) of higher minimum wage	7.4%	41.9%	50.7%
Indirect impact (via input prices) of higher minimum wage	11.2	57.9	30.8
Tighter national labor market on labor costs	7.4	55.9	36.8

Finally, we asked about the possible consequences of requiring 60 day notification for plant closings. Only 4.0% of respondents thought there would be major impacts upon cost or the way business is conducted and 79.3% thought there would be no impact either because plant closings do not occur, or voluntary notice is already provided, or the respondents work for companies small enough to be exempt.

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Current Highlights

* Demand is still growing nicely. In the third quarter a strong performance by utilities more than offset slightly less robust growth by goods-producers.

* Export performance remains a strong positive growth force.

* Twice as many companies are increasing capital spending as are cutting back.

* NABE Industry Panelists reject protectionism and government subsidies as ways to improve overseas business. They look instead to faster economic growth abroad.

* Inflation pressures on member firms are not easing yet, but they aren't accelerating rapidly either.

* Shortages are more widespread. More than half of our panelists are now reporting difficulties in obtaining one or more types of inputs. Skilled labor is the most often mentioned.

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Unit Demand

Demand strengthened in the third quarter. Just over half (52.1%) of all respondents reported rising demand up from 48.1% last period. And fewer reported declines, 11.7% vs 15.0% last time. The percent rising minus percent falling measure which we'll call the "net rising index", rose more than seven points. All of this quarter's increase originated outside of the goods-producing industries. Within the trade, transportation, utilities and communications (TTUC) sector public utilities experienced powerful demand growth, probably due to the abnormally hot summer. For goods-producers the net rising index fell for the fourth consecutive quarter. The percent of respondents reporting rising demand and the percent reporting falling demand were both down slightly from the previous survey.

Sector	Percent Reporting that Demand is: Rising	Staying the Same	Falling	Net Rising
Total	52.1%	36.2%	11.7%	40.4%
Goods-Producing	46.7	40.0	13.3	33.4
TTUC	64.0	32.0	4.0	60.0
Other Services	48.7	35.9	15.4	33.3

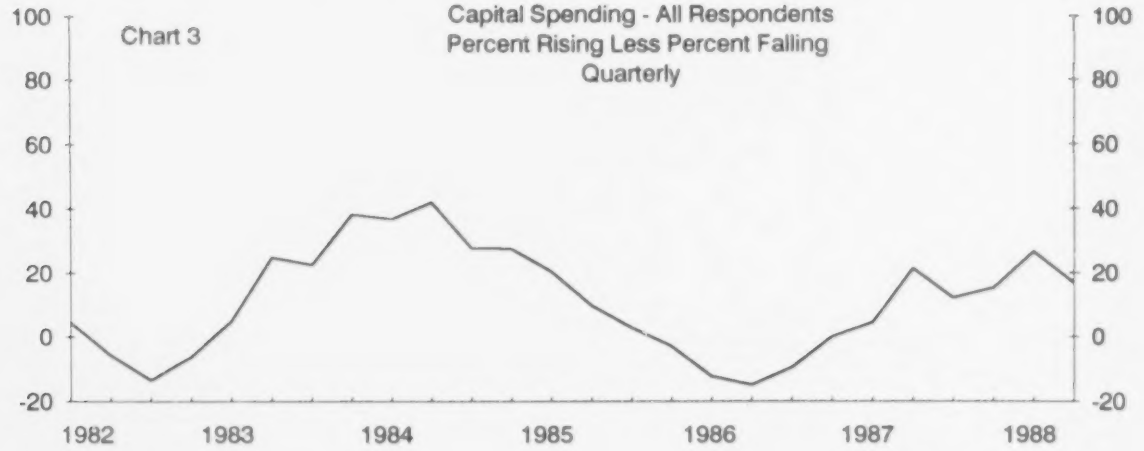
Although the rate of demand growth is down a bit from its late 1987 peak it is still a positive force. Four-and-a-half times as many companies are experiencing growth as are suffering declines. For goods-producers the multiple is three-and-a-half times. Charts 1 and 2 show the net rising index for the total sample as well as for the goods-producing sector. This is a new and, we hope, a more meaningful presentation of the data from past surveys.

Special questions for this survey asked whether or not orders for short and long lead time items had slowed down in the last three months. Of those responding 73% indicated no deceleration in short-term orders, while 27% had seen some slowdown. The answers were almost identical for longer lead time products.

Capital Spending

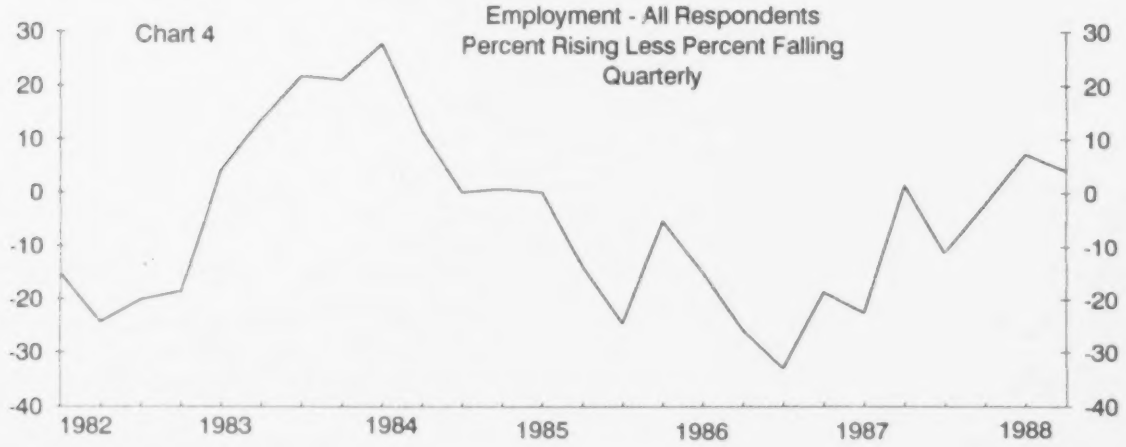
Nearly a third of all respondents report rising capital expenditures. This is down from the previous survey, but still twice as many as are reporting declines. The net rising percent is a solid 17.0%. See Chart 3. Of the three major sectors goods-producers have the strongest net rising index at 25.0% followed by TTUC at 16.0% and other services at 11.4%. These readings are consistent with needs to boost capacity implied by high and rising utilization rates.

	Percent Reporting that Real Capital Spending is:			Net
Survey Month	Rising	Staying the Same	Falling	Rising
Sept. '88	31.8%	53.4%	14.8%	17.0%
June '88	40.8	45.0	14.2	26.6
March '88	32.5	50.4	17.1	15.4



Employment

Most companies (58.3%) are still reporting stable employment levels. The net rising index of 4.1% resulted from 22.9% of respondents reporting rising employment and 18.8% indicating declines. This net measure was down slightly from 7.3% in the second quarter, but was still the second strongest reading in the past 3½ years. See Chart 4.



Inventories

There is a high degree of satisfaction with current inventory levels. Three-quarters of all respondents say they're about right (up from 64.4% in the last survey) while 16.7% say they're too high and 8.3% say too low. In the goods-producing sector inventories are falling according to 42.9% of respondents and rising according to 25.0%. This net rising index of -17.9% is down from -2.9% in June. See Chart 5.

Export Performance

Export business remains strong, if not quite so strong as in the two previous surveys. Results are:

Survey Month	Percentage of Exporters Whose Exports are: Rising	Staying the Same	Falling
Sept. '88	57.5%	40.0%	2.5%
June '88	68.9%	28.9%	2.2%
March '88	67.3%	32.7%	-0-

More than half of those reporting rising exports said that the pace of exporting was accelerating. To a special question which asked if export orders were decelerating, 88.6% said "NO".

When asked what policies or actions would help most to improve overseas business 42% opted for faster economic growth abroad, 29% said a weaker dollar, 22% wanted a lower federal budget deficit, and 18% said self-initiated market opening actions by our trading partners. There was almost no support for more protectionism or increased subsidies.

Prices and Costs

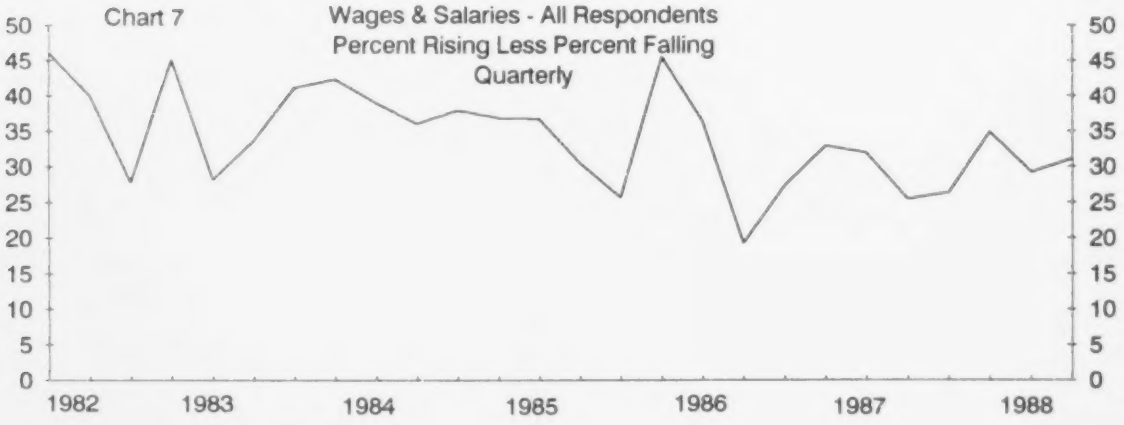
Prices charged by NABE panelists' firms are still rising. The net rising index has increased for two surveys in a row, although it is still below its recent peak in 1987's fourth quarter. See chart 6.

Survey Month	Percentage Reporting Their Prices are: Increasing	Unchanged	Falling	Net Rising
Sept. '88	37.8%	51.0%	11.2%	26.6%
June '88	31.1%	62.2%	6.7%	24.4%
March '88	32.8%	48.5%	18.7%	14.1%

Costs are also escalating. Prices of input materials rose at well over half of our respondents' companies during the past three months. The net rising index is now over 50%. One-third of our sample reported rising wages and salaries. The good news is that only 7.5% of all respondents report accelerating labor costs. Chart 7 shows the net rising index for the total sample.

Survey Month	Percent Reporting that Material Costs are: Increasing	Unchanged	Falling	Net Rising
Sept. '88	59.7%	33.9%	6.5%	53.2%
June '88	55.7%	36.4%	8.0%	47.7%
March '88	54.2%	34.9%	10.8%	43.4%

Survey Month	Percent Reporting Wages & Salaries: Rising	Unchanged	Falling	Net Rising
Sept. '88	33.3%	64.5%	2.2%	31.1%
June '88	32.8%	63.5%	3.6%	29.2%
March '88	40.0%	54.8%	5.2%	34.8%



Shortages

Shortages have become more pervasive as the year has progressed. Now fewer than half of our respondents are reporting no problems. Nearly a third are having trouble getting enough skilled labor.

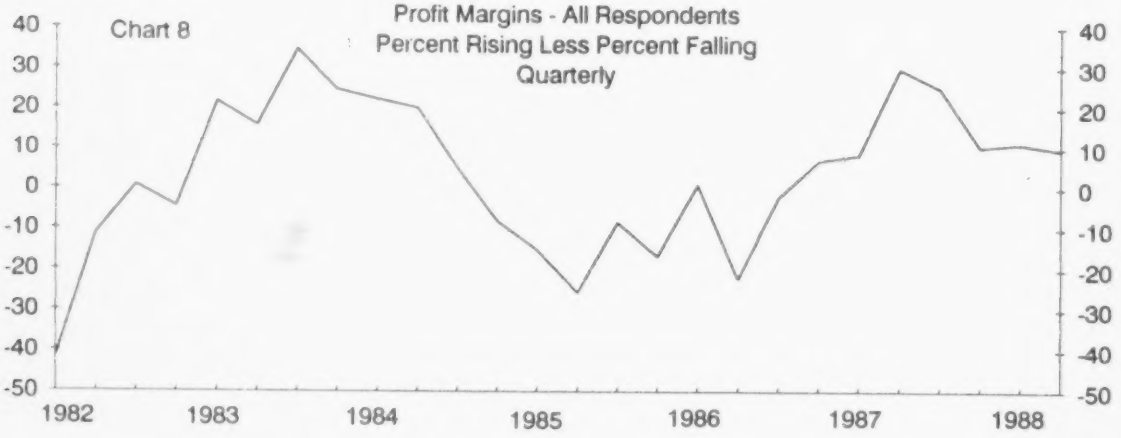
Type of input	Percent Reporting Shortages in Survey Month: March	June	September
Skilled Labor	16.2%	25.9%	32.6%
Unskilled Labor	9.4%	11.2%	11.6%
Intermediate Inputs	8.6%	14.7%	10.5%
Raw Material Inputs	8.6%	8.6%	10.5%
Capital Goods	0.8%	5.2%	5.8%
No Shortages	65.8%	56.0%	48.8%

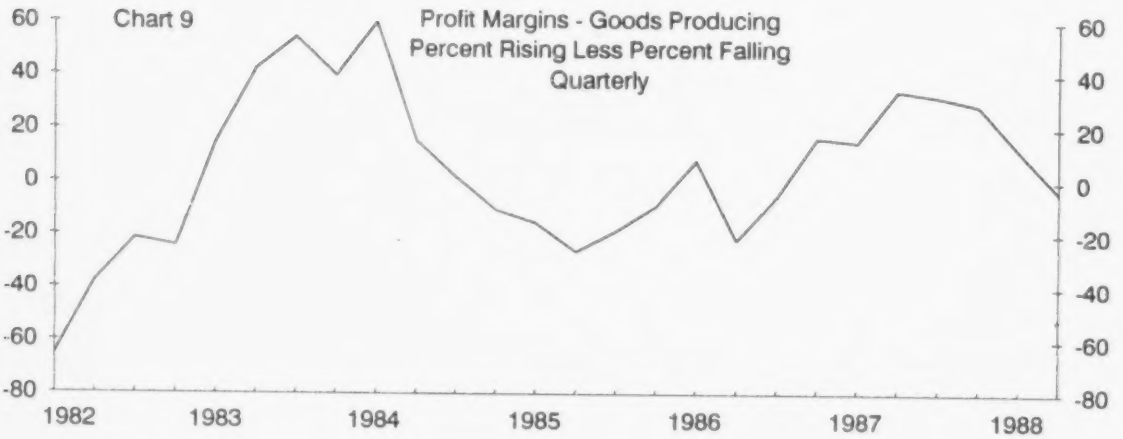
Profits

According to the total sample more of our members are reporting rising profit margins than falling margins. The performance does vary somewhat by sector, however. As shown in the following table goods-producers are struggling a bit more than other segments with nearly 30% indicating falling margins. The TTUC sector currently has the strongest performance.

Sector	Percent Reporting that Profit Margins are: Rising	Unchanged	Falling	Net Rising
Total	31.2%	47.3%	21.5%	9.7%
Goods-Producing	25.9%	44.4%	29.6%	-3.7%
TTUC	33.3%	55.6%	11.1%	22.2%
Other Services	33.3%	43.6%	23.1%	10.2%

Charts 8 and 9 indicate that goods-producing industries have historically had more volatile profit performance than our sample of all industries. The current period is apparently no exception.





A6650-4F

NABE Industry Survey

January, 1989

This analysis presents the results of the latest survey of business conditions reported by members of the National Association of Business Economists at their individual companies. The survey was taken in mid-December, 1988 and is being reported in January 1989. The Industrial Outlook Survey is one of three regular inquiries taken by NABE; the other two are the Policy Survey and the Macroeconomic Forecast Survey.

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Current Highlights

* Demand is still rising, but at the slowest pace since Q2, 1986. Could this be signaling another 1985-'86 style slowdown???

* Export demand is showing no tendency to soften. It is still a strong, positive growth force.

* Capital spending is another key area where members continue to report strength.

* Inflation pressures clearly worsened late last year. Prices charged by member firms remained on a steady but strong rising trend. Costs of both materials and people escalated to record levels.

* NABE members' firms are planning for growth this year. Three-quarters of our respondents look for higher sales volume and more than half plan to boost capital spending.

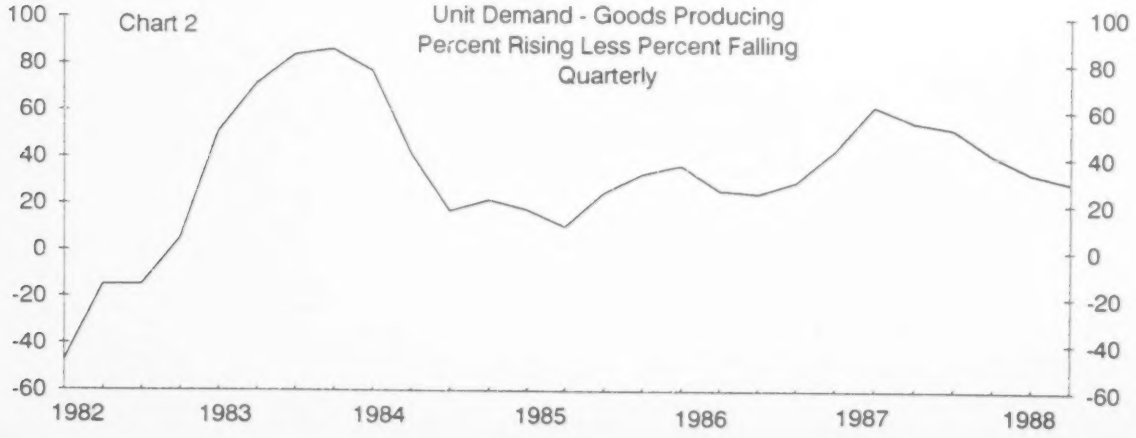
Published by the National Association of Business Economists, 28349 Chagrin Blvd., Cleveland, OH 44122 216-464-7986.

Unit Demand

Demand continued to rise in the fourth quarter, although at a slower pace than in the third period. Of all respondents, 47.2% reported rising unit demand, down slightly from 52.1% last time. Demand fell at 16.9% of our panelist's firms, up from 11.7% in Q3. The Net Rising Index (percent rising minus percent falling) dipped to 30.3% from 40.4%. Chart 1 reveals that this is the lowest level for the index since an identical reading in the second quarter of 1986.

The net rising index remained positive across all industry groups (see Table). It fell, however, in every sector except retail and wholesale trade where it rose sharply--perhaps confirming reports of a strong Christmas selling season. The financial services sector showed the weakest demand growth. For goods producers, a sector that includes manufacturing, mining, forestry, agriculture and construction, unit demand decelerated for the fifth consecutive quarter. See Chart 2.

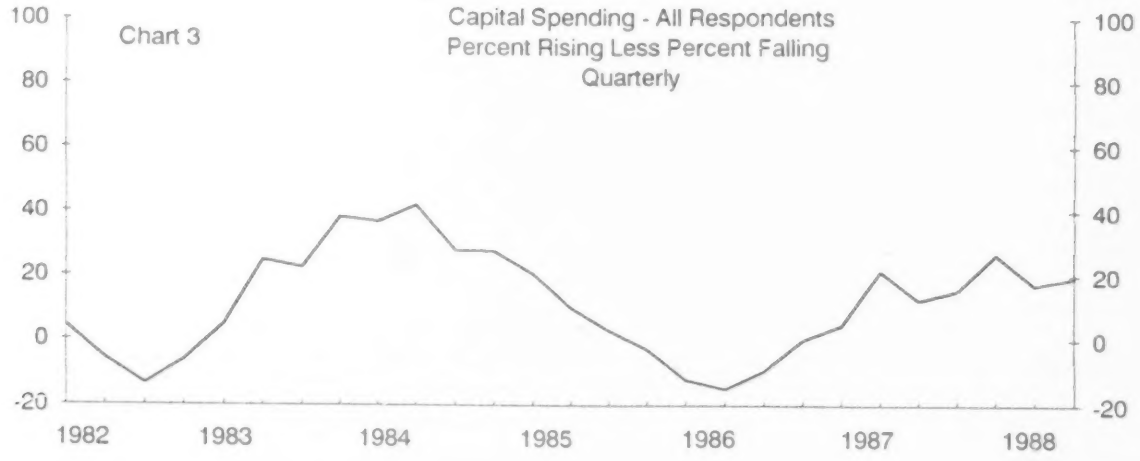
Sector	Percent Reporting that Demand is: Rising	Staying the Same	Falling	Net Rising
Total	47.2%	35.9%	16.9%	30.3%
Goods-Producing	50.0	29.5	20.5	29.5
Trade	40.0	60.0	0.0	40.0
TUC	48.4	35.5	16.1	32.3
Financial Serv.	31.3	50.0	18.8	12.5



Capital Spending

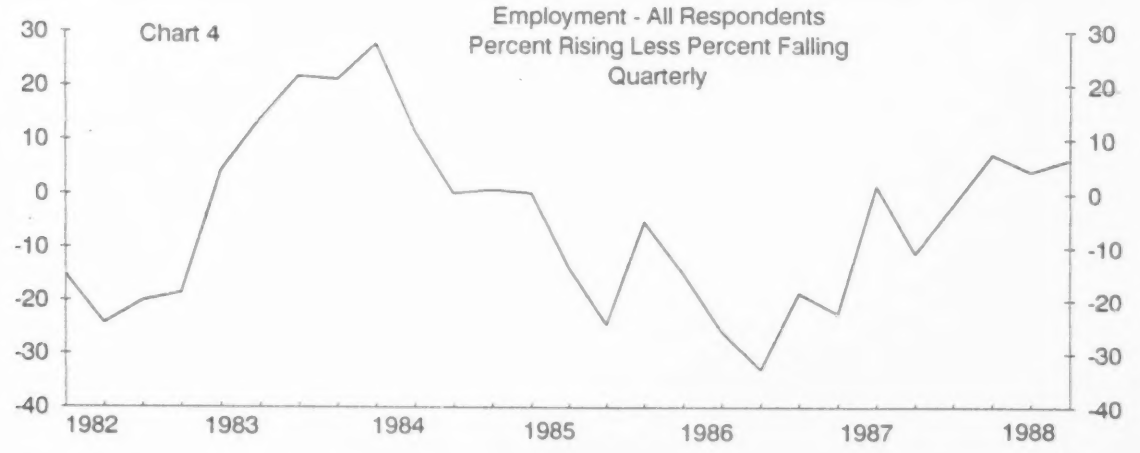
The pace of capital spending accelerated slightly in the final period of 1988 as more than a third of our respondents reported increased expenditures. This was more than twice as many as reported declines. The net rising index shown in Chart 3 rose to 19.2%, and is showing some tendency to flatten out around the +20% level.

Survey Month	Percent Reporting that Real Capital Spending is: Rising	Staying the Same	Falling	Net Rising
Dec. '88	34.6%	50.0%	15.4%	19.2%
Sept. '88	31.8	53.4	14.8	17.0
June '88	40.8	45.0	14.2	26.6



Employment

Employment accelerated a bit in last year's final quarter. While most companies (55.6%) continue to report stable employment levels, a quarter of them (25.4%) said net hiring was on the increase. This is the highest "percent rising" reading in more than four years. The net rising index rose to 6.4% from 4.1% in Q3. See Chart 4.



Inventories

Satisfaction with current inventory levels deteriorated somewhat at the end of 1988. Of all our respondents 55.4% said that stock levels were about right, down from 75.0% in the last survey. Of those who were dissatisfied 27.7% said inventories were too high while 16.9% said they were too low. Goods producers are still adjusting stocks downward. Falling inventories were reported by 38.5% of sector panelists against 33.3% who said they were rising. The -5.2% net rising index is up from the previous period, but still negative. Chart 5.

Export Performance

Export business strengthened during the last 3 months. Nearly two-thirds of responding members report rising exports, and more than half of this group say that business is accelerating.

	Percentage of Exporters Whose Exports are:		
Survey Month	Rising	Staying the Same	Falling
Dec. '88	64.2%	34.0%	1.9%
Sept. '88	57.5	40.0	2.5
June '88	68.9	28.9	2.2

Prices and Costs

Prices charged by our respondents' companies are still rising and the net rising index remains at a historically high level. Chart 6. What's more, over 60% of those who said their prices were rising noted an acceleration in the rate of increase during the fourth quarter.

	Percentage Reporting Their Prices are:			Net
Survey Month	Rising	Unchanged	Falling	Rising
Dec. '88	36.9%	53.2%	9.9%	27.0%
Sept. '88	37.8	51.0	11.2	26.6
June '88	31.1	62.2	6.7	24.4

Costs escalated sharply in the fourth quarter. Almost two-thirds of our survey sample reported rising prices of input materials. The net rising index jumped six-and-a-half points to 59.7%, a new record for the year. Wages and salaries are now increasing at near half of our respondent's firms. The net rising index rose to over 47% for the first time in the seven year history of the survey. See Chart 7.

Survey Month	Percent Reporting that Material Costs are: Rising	Unchanged	Falling	Net Rising
Dec. '88	64.9%	29.9%	5.2%	59.7%
Sept. '88	59.7	33.9	6.5	53.2
June '88	55.7	36.4	8.0	47.7

Survey Month	Percent Reporting Wages & Salaries: Rising	Unchanged	Falling	Net Rising
Dec. '88	48.6%	50.0%	1.4%	47.2%
Sept. '88	33.3	64.5	2.2	31.1
June '88	32.8	63.5	3.6	29.2

Shortages

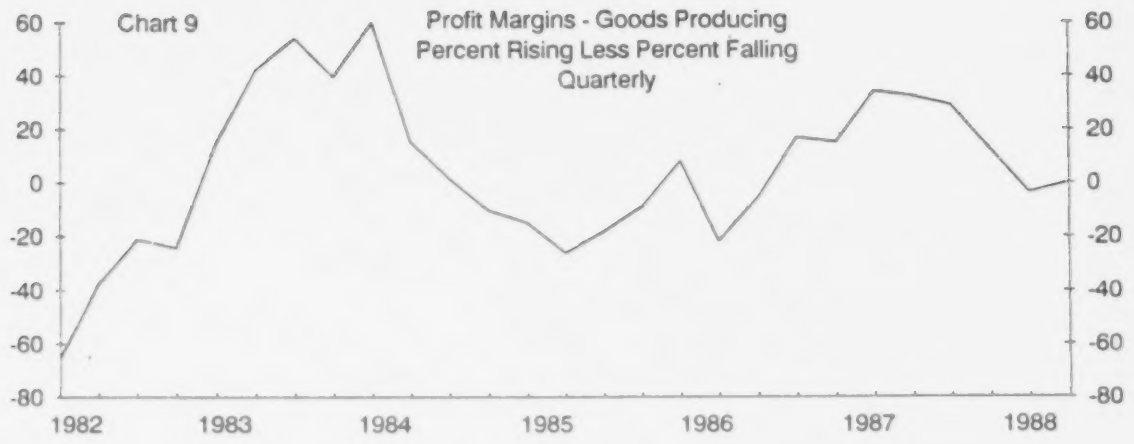
Availability of factor inputs eased ever so slightly in the last period, but almost half of our respondents are still experiencing shortages of one sort or another. The most often mentioned problem continues to be skilled labor.

Type of input	Percent Reporting Shortages in Survey Month: March	June	Sept.	Dec.
Skilled Labor	16.2%	25.9%	32.6%	28.4%
Unskilled Labor	9.4	11.2	11.6	12.1
Intermediate Inputs	8.6	14.7	10.5	13.8
Raw Material Inputs	8.6	8.6	10.5	8.6
Capital Goods	0.8	5.2	5.8	4.3
No Shortages	65.8	56.0	48.8	50.9

Profits

Profitability remains a positive force. Just over one-third of all respondents report that their profit margins are increasing. A quarter of them say margins are falling. The net rising index at 8.8% fell slightly from 9.7% in the third quarter, but as Chart 8 shows it has remained fairly stable over the past year. The retail and wholesale trade sector experienced the strongest profit growth last period while goods producers came in with the weakest gains.

Sector	Percent Reporting that Profit Margins are: Rising	Unchanged	Falling	Net Rising
Total	34.3%	40.1%	25.5%	8.8%
Goods-Producing	28.6	42.9	28.6	0.0
Trade	60.0	20.0	20.0	40.0
TUC	33.3	43.3	23.3	10.0
Financial Serv.	37.5	31.3	31.3	6.2



Looking Ahead

Special questions in the December, 1988 survey asked panelists about their companies' plans or budgets for 1989. Almost all of those responding (95.8%) said that their firm had put together a plan or budget for the new year. They were then asked if their companies were planning for higher, lower, or essentially the same levels of sales volume, employment, and capital spending in 1989 compared with 1988. Results are summarized in the following table.

Percent of all respondents reporting that 1989 plans for key variables are:

Key Variable	Higher	Same	Lower
Sales Volume	75.2%	12.8%	12.0%
Employment	35.1	38.8	26.1
Capital Spending	53.2	31.5	15.3

Three-quarters of all respondents' firms are looking for sales gains this year; one-third are expecting employment growth; and over half plan on increased capital spending. But the answers varied somewhat by industry group as shown below.

Percent of responding firms that expect 1989 growth in:

	Sales Volume	Employment	Capital Spending
Goods Producing	71.4%	26.2%	53.8%
Trade	100.0	50.0	50.0
TUC	73.3	26.7	53.6
Financial Serv.	83.3	40.0	37.0

Finally, our panel members were asked to critique their companies' 1989 sales plans. Most (71.5%) said that in their professional judgement their company's sales plan was on target, but a significant number 20.8% thought that the plan was too ambitious. Only 7.7% believed it was too low.

A6650-4 F

NABE Industry Survey

April, 1989

This analysis presents the results of the latest survey of business conditions reported by members of the National Association of Business Economists at their individual companies. The survey was taken in mid-March, 1989 and is being reported in April 1989. The Industrial Outlook Survey is one of three regular inquiries taken by NABE; the other two are the Policy Survey and the Macroeconomic Forecast Survey.

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Current Highlights

* For all industries unit demand continued to grow at about the same solid pace as in the prior quarter. This apparent stability, however, masked resurgences in the Goods Producing and TUC industries, and a sharp deceleration in Retail/Wholesale Trade.

* Capital spending soared during the first quarter. Nearly 50% of all participating firms reported increases while only 8% showed declines. Of the manufacturers who responded nearly 65% reported rising fixed investment and the ratio of rising to falling was better than 10 to 1.

* The pace of export growth eased a little during the first period, but it remains a powerful source of expansion.

* There is still no evidence that inventories pose a threat to the current expansion.

* Employment continued to accelerate in the first period.

* No evidence yet that inflationary pressures are easing. Prices and costs both surged in Q1.

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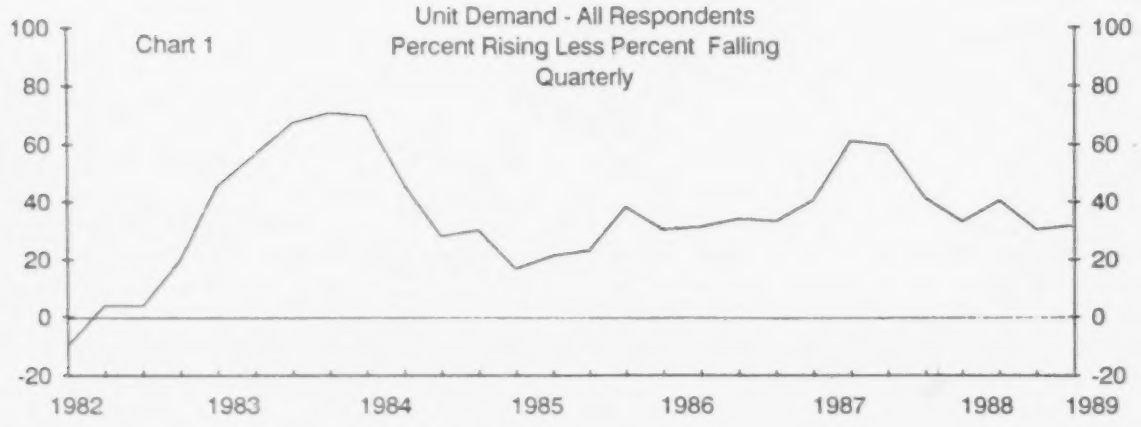
Unit Demand

Demand continued to rise in the first quarter at about the same overall pace as in the previous period, but there were significant differences among the sectors. Of all respondents, 50.0% reported rising unit demand, up slightly from 47.2% last time. Demand fell at 18.3% of our panelist's firms, up from 16.9% in Q4, 1988. The Net Rising Index (percent rising minus percent falling) rose slightly to 31.7% from 30.3%. Chart 1 reveals that this net rising measure has tended to flatten out in recent quarters in the plus 30 to 40% range.

The net rising index remained positive across all industry groups, and while there was very little change from the prior quarter for the total sample there was significant action among the sectors (See Table). Demand growth decelerated sharply in the Retail and Wholesale Trade group as it accelerated elsewhere. Goods producers (manufacturing, mining, forestry and construction) saw the biggest demand surge, and also saw a five quarter downward trend reversed, or at least interrupted. See Chart 2. Transportation, utilities and communications (TVC) demand growth also took a major jump.

	Percent of Total Sample Reporting that Demand is:			Net
Survey Month	Rising	Staying the Same	Falling	Rising
Mar. '89	50.0%	31.7%	18.3%	31.7%
Dec. '88	47.2	35.9	16.9	30.3
Sep. '88	52.1	36.2	11.7	40.4

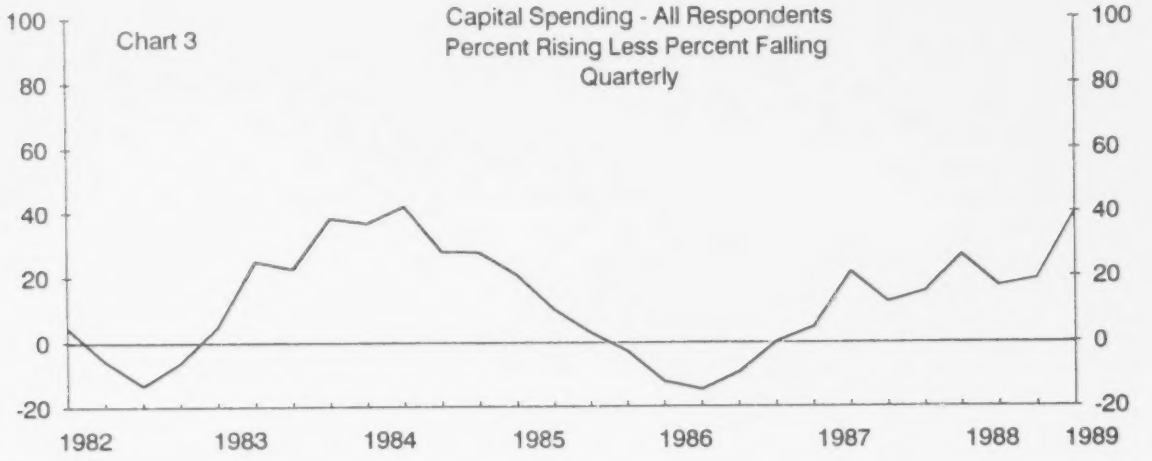
	Percent Reporting that Demand is:			Net
Sector	Rising	Staying the Same	Falling	Rising
Total	50.0%	31.7%	18.3%	31.7%
Goods-Producing	55.8	32.6	11.6	44.2
Trade	33.3	50.0	16.7	16.7
TUC	60.7	25.0	14.3	46.4
Financial Serv.	40.0	33.3	16.7	13.3



Capital Spending

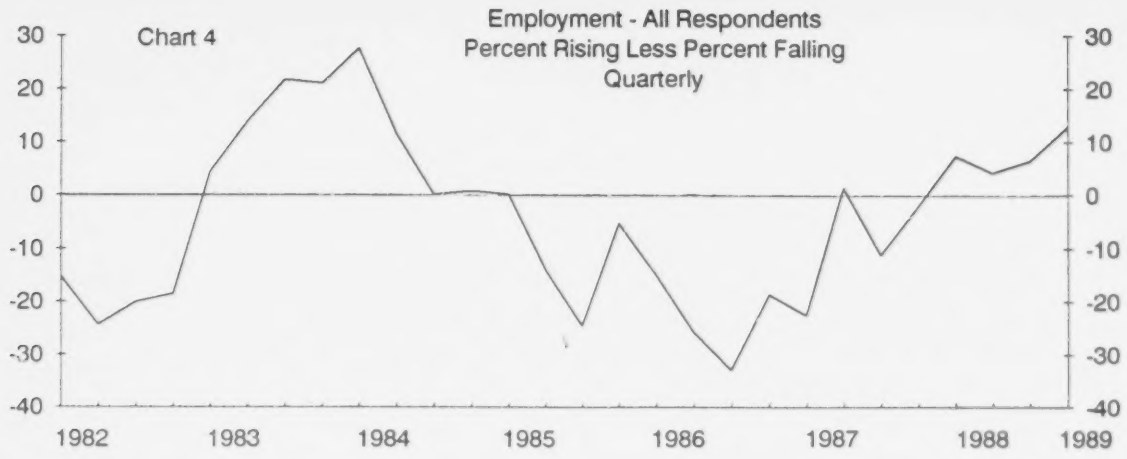
Capital spending leapt ahead during the past three months. Nearly half of our respondents reported increased expenditures while only 8% showed declines. The net rising index more than doubled to 39.8%. Both the total rising and net rising percentages reached the second highest levels in the history of the survey. (Q3, 1984 keeps those records for now) See Chart 3. Nearly 65% of manufacturers reported increased capital spending. Less than 6% said it declined.

	Percent Reporting that Real Capital Spending is:			Net
Survey Month	Rising	Staying the Same	Falling	Rising
Mar. '89	47.8%	44.2%	8.0%	39.8%
Dec. '88	34.6	50.0	15.4	19.2
Sep. '88	31.8	53.4	14.8	17.0



Employment

Employment accelerated again in the first quarter according to our panelists. While most companies (58.4%) are still reporting stable employment levels, more than a quarter (27.2%) said that employment was on the increase. The net rising index (percent rising minus percent falling) doubled to 12.8% this quarter, the highest level since Q2, 1984. See Chart 4.



Inventories

Satisfaction with current inventory levels was virtually unchanged in the latest survey. Of all our respondents 55.6% said that stock levels were "about right". This compares with 55.4% in the previous survey. Of those who were dissatisfied 25.4% said inventories were too high while 19.0% said they were too low. Chart 5 shows that goods producers switched to a slight inventory build position during the past quarter. The net rising index moved from -5.2% to +5.1%. Overall, inventory policies and stock levels themselves remain quite stable.

Export Performance

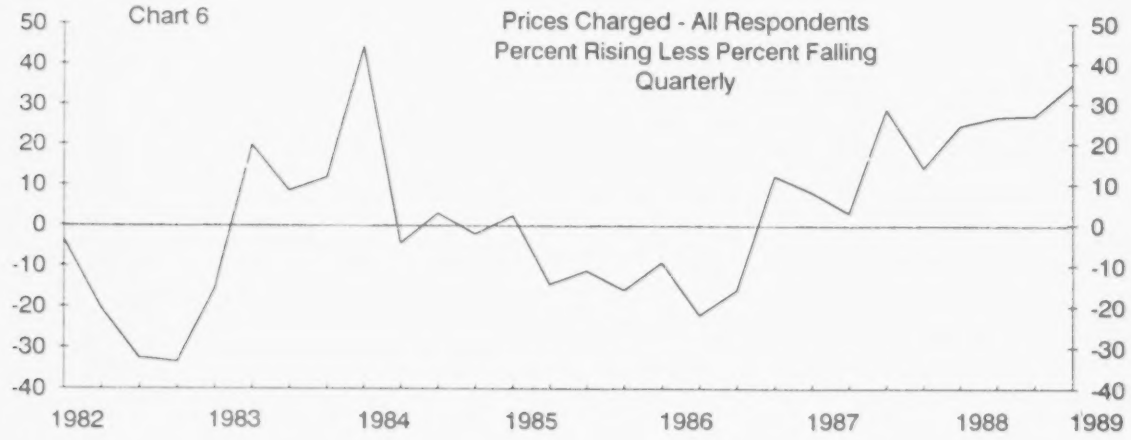
Export business eased slightly during the last 3 months but remained a clear source of econimic strength. Nearly two-thirds of responding members report rising exports, and almost half of this group say that business is accelerating.

Survey Month	Percentage of Exporters Whose Exports are: Rising	Staying the Same	Falling	Net Rising
Mar. '89	62.0%	30.0%	8.0%	54.0%
Dec. '88	64.2	34.0	1.9	62.3
Sep. '88	57.5	40.0	2.5	55.0

Prices and Costs

Prices charged by our respondents' companies accelerated again in the first quarter. The net rising percent is now at its highest level since Q2, 1984 as well as being at its second highest level in the survey's history. See chart 6. What's more, over 70% of those who said their prices were rising noted an acceleration in the rate of increase during the first quarter.

Survey Month	Percentage Reporting Their Prices are: Increasing	Unchanged	Falling	Net Rising
Mar. '89	46.0%	42.9%	11.1%	34.9%
Dec. '88	36.9	53.2	9.9	27.0
Sep. '88	37.8	51.0	11.2	26.6



Costs escalated sharply again in 1989's first quarter. More than 70% of our survey sample reported rising prices of input mateials. The net rising index jumped nine points to 69.0% another new record for the year. Wages and salaries are now increasing at more than half of our respondent's firms. The net rising index rose to over 54% for the first time in the seven year history of the survey. This is the second new survey record in a row for this series. See Chart 7.

Survey Month	Percent Reporting that Material Costs are: Rising	Unchanged	Falling	Net Rising
Mar. '89	71.3%	26.4%	2.3%	69.0%
Dec. '88	64.9	29.9	5.2	59.7
Sep. '88	59.7	33.9	6.5	53.2

Survey Month	Percent Reporting Wages & Salaries: Rising	Unchanged	Falling	Net Rising
Mar. '89	55.7%	42.6%	1.6%	54.1%
Dec. '88	48.6	50.0	1.4	47.2
Sep. '88	33.3	64.5	2.2	31.1

Shortages

Availability of factor inputs eased slightly in the last period, but almost half of our respondents are still experiencing shortages of one sort or another. The most often mentioned problem continues to be skilled labor.

	Percent Reporting Shortages in Survey Month:			
Type of input	June	Sept.	Dec.	Mar.
Skilled Labor	25.9%	32.6%	28.4%	31.0%
Unskilled Labor	11.2	11.6	12.1	9.7
Intermediate Inputs	14.7	10.5	13.8	12.4
Raw Material Inputs	8.6	10.5	8.6	9.7
Capital Goods	5.2	5.8	4.3	2.7
No Shortages	56.0	48.8	50.9	52.2

Profits

Profitability remains a stable and positive force, although our net rising index has tended to erode ever so slightly during the past three quarters. See Chart 8. Goods producers have experienced the weakest profit growth. Their net rising percent has been zero or negative for the last three periods in a row. See Chart 9. The Retail and Wholesale Trade sector has been the strongest performer during the same period.

	Percent of all Respondents Reporting that Margins are:			
Survey Month	Rising	Unchanged	Falling	Net Rising
Mar. '89	31.1%	45.9%	23.0%	8.2%
Dec. '88	34.3	40.1	25.5	8.8
Sept. '88	31.2	47.3	21.5	9.7

	Percent Reporting that Profit Margins are:			
Sector	Rising	Unchanged	Falling	Net Rising
Total	31.1%	45.9%	23.0%	8.2%
Goods-Producing	24.4	43.9	31.7	-7.3
Trade	50.0	50.0	-0-	50.0
TUC	25.0	53.6	21.4	3.6
Financial Serv.	40.0	40.0	20.0	20.0

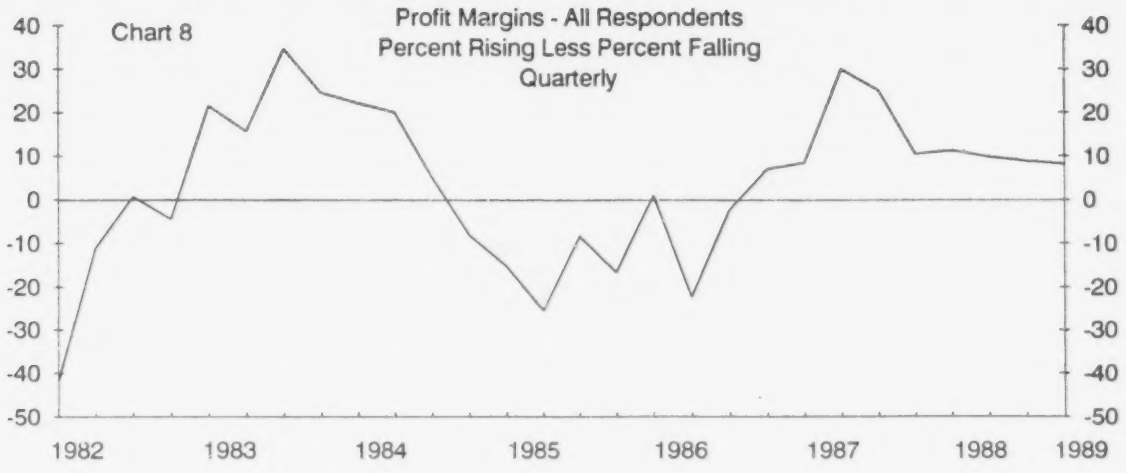


Chart 8
Profit Margins - All Respondents
Percent Rising Less Percent Falling
Quarterly
40
30
20
10
0
-10
-20
-30
-40
-50
1982
1983
1984
1985
1986
1987
1988
1989

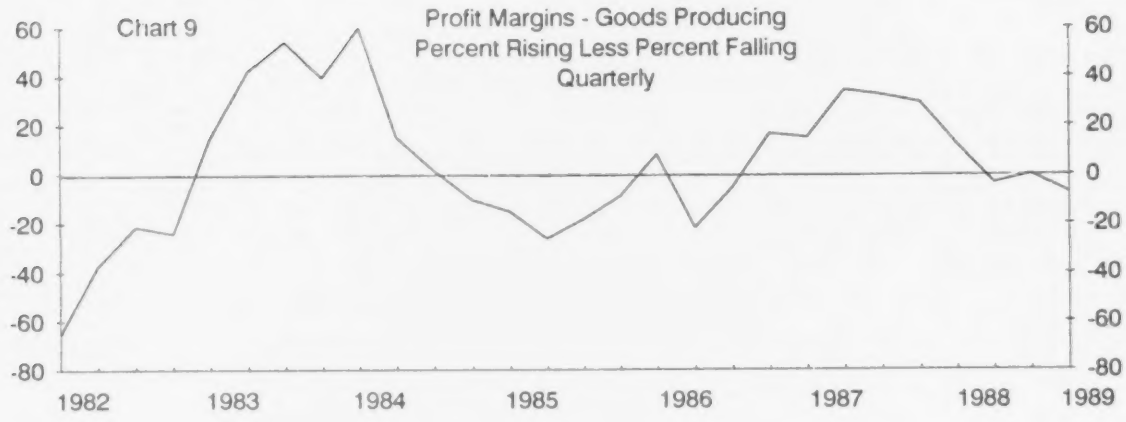


Chart 9
Profit Margins - Goods Producing
Percent Rising Less Percent Falling
Quarterly
60
40
20
0
-20
-40
-60
-80
1982
1983
1984
1985
1986
1987
1988
1989

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NABE Industry Survey

July, 1989

This analysis presents the results of the latest survey of business conditions reported by members of the National Association of Business Economists at their individual companies. The survey was taken in mid-June, 1989 and is being reported in July 1989. The Industrial Outlook Survey is one of three regular inquiries taken by NABE; the other two are the Policy Survey and the Macroeconomic Forecast Survey.

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Current Highlights

* Unit demand growth slowed sharply in the second quarter. Goods-producing industries reported the most pronounced easing.

* Real Capital Spending growth slowed a bit, but remained a powerful source of growth for the economy. Exports are a second source. More than half of the firms that export report rising foreign sales.

* Employment growth also decelerated at members' firms.

* Satisfaction with current inventory levels remains high. In spite of slowing demand growth inventories do not seem to be a serious source of instability.

* Inflationary pressures show early signs of easing. Both prices charged and costs decelerated during Q2.

* This year's rising dollar has not cut into our members' international competitiveness in any meaningful way.

* Our survey panel believes that "Europe 1992" is mostly a positive development. Their firms are preparing for it in a variety of ways.

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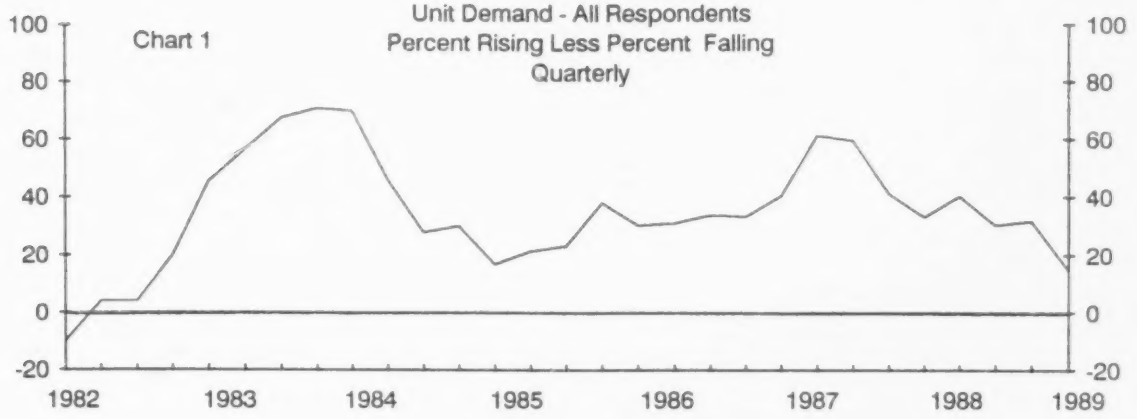
Unit Demand

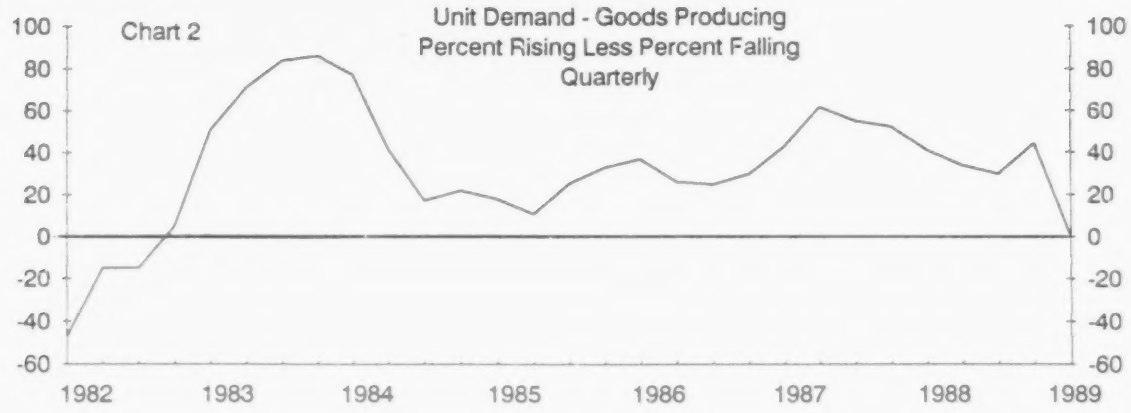
Demand continued to rise in the second quarter, but there was a sharp deceleration compared with the previous period, and there were significant differences among the sectors. Of all respondents, 41.0% reported rising unit demand, down from 50.0% last time. Demand fell at 26.2% of our panelist's firms, up from 18.3% in Q1. The Net Rising Index (percent rising minus percent falling) fell sharply to 14.8% from 31.7%. Chart 1 reveals that this net rising measure has resumed its downward trend. It is currently at its lowest level since late 1982.

Goods producing industries (manufacturing, mining, forestry and construction) suffered the most pronounced slowing of demand growth among the major sectors. See Chart 2. More than one-third of the respondents in this sector reported falling unit demand, the same percentage that reported rising demand. The Net Rising Index fell to zero from 44.2% in Q1. There was also a major decline in the rate of growth within the transportation, utilities and communications sector where the Net Rising Index fell to 21.4% from 46.4%. Demand growth accelerated during the period in both Retail/Wholesale Trade and Financial Services.

	Percent of Total Sample Reporting that Demand is:			Net
Survey Month	Rising	Staying the Same	Falling	Rising
Jun. '89	41.0%	32.8%	26.2%	14.8%
Mar. '89	50.0	31.7	18.3	31.7
Dec. '88	47.2	35.9	16.9	30.3

	Percent Reporting that Demand is:			Net
Sector	Rising	Staying the Same	Falling	Rising
Total	41.0%	32.8%	26.2%	14.8%
Goods-Producing	36.4	27.3	36.4	-0-
Trade	40.0	60.0	-0-	40.0
TUC	46.4	28.6	25.0	21.4
Financial Serv.	40.6	37.5	21.9	18.8

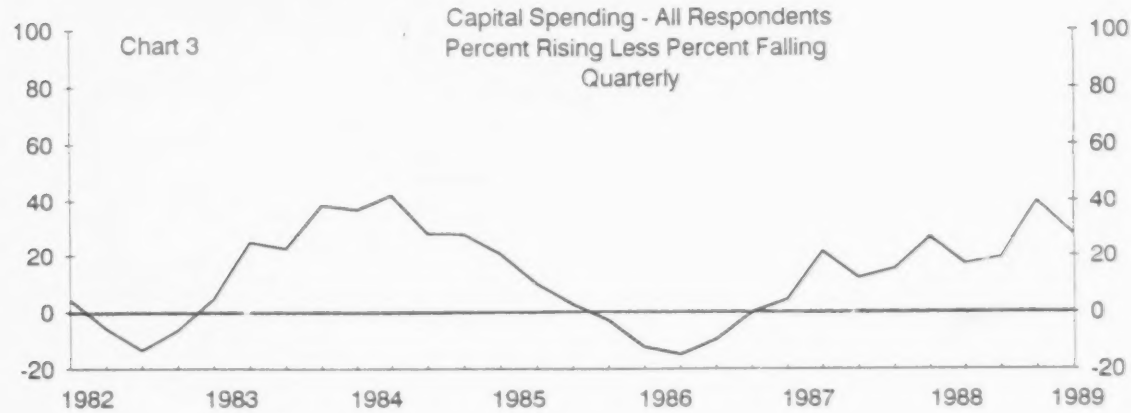




Capital Spending

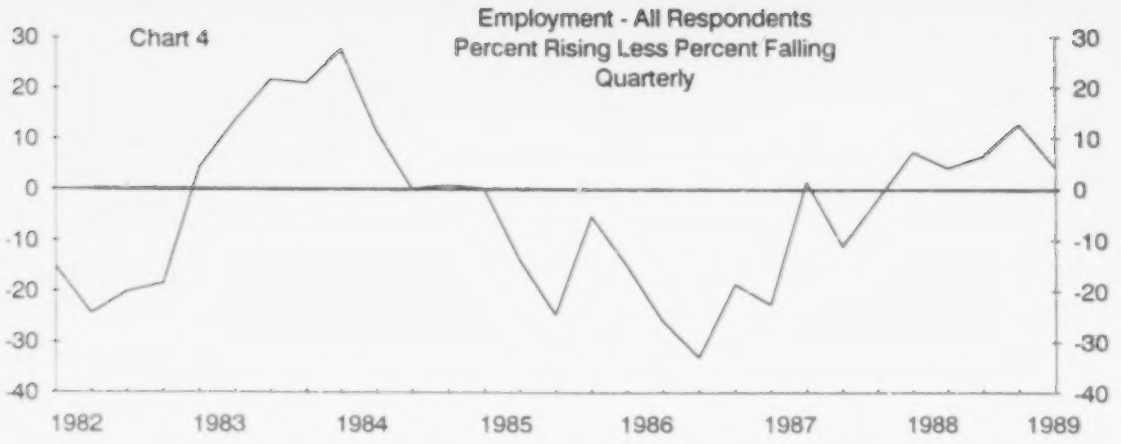
Our panelists' firms maintained a pattern of strong capital spending growth during the past three months. More than one-third of all respondents reported increased expenditures while only 7% said spending was down. While the Net Rising Index was off last quarter's near record pace, it remained at the second highest level in the last four years. See Chart 3.

Survey Month	Percent Reporting that Real Capital Spending is: Rising	Staying the Same	Falling	Net Rising
Jun. '89	34.9%	57.8%	7.3%	27.5%
Mar. '89	47.8	44.2	8.0	39.8
Dec. '88	34.6	50.0	15.4	19.2



Employment

Employment kept rising during the second quarter, although at a significantly slower rate according to our members. While most companies (58.8%) are still reporting stable employment levels, 18.5% said that employment was on the increase. The Net Rising Index (percent rising minus percent falling) dropped to just over 4%. See Chart 4.



Inventories

Satisfaction with current inventory levels remained high in the latest survey. Of all our respondents 56.7% said that stock levels were "about right". This compares with 55.6% in the previous survey. The other 43.3% who were not happy with current levels split as follows. One-third of the sample said stocks were too high while 10% said they were too low. Chart 5 shows that goods producers continued in a slight inventory build position during the past quarter as the Net Rising Index remained at +5%. Overall, inventory policies and stock levels themselves remain quite stable.

Export Performance

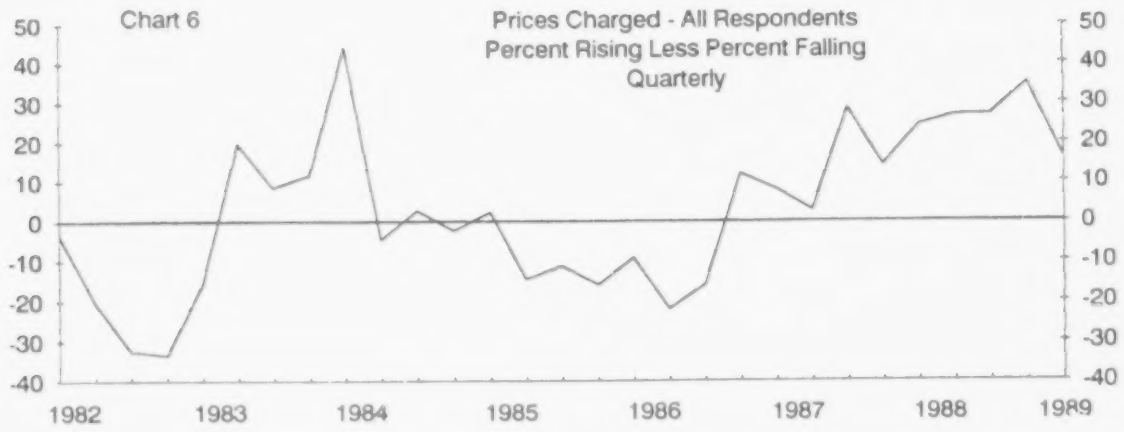
Export growth eased again during the last 3 months but remained a clear source of economic strength. More than one-half of responding members reported rising exports, and almost half of this group say that foreign sales are accelerating.

Survey Month	Percentage of Exporters Whose Exports are: Rising	Staying the Same	Falling	Net Rising
Jun. '89	52.1%	33.3%	14.6%	37.5%
Mar. '89	62.0	30.0	8.0	54.0
Dec. '88	64.2	34.0	1.9	62.3

Prices and Costs

Prices charged by our respondents' companies continued to rise in the second quarter, but at a much slower pace. The net rising percent fell by more than half to 16.2%, its lowest level in over a year. While one quarter doesn't constitute a trend, the latest reading is a welcome sign that inflationary pressures may be easing. See Chart 6.

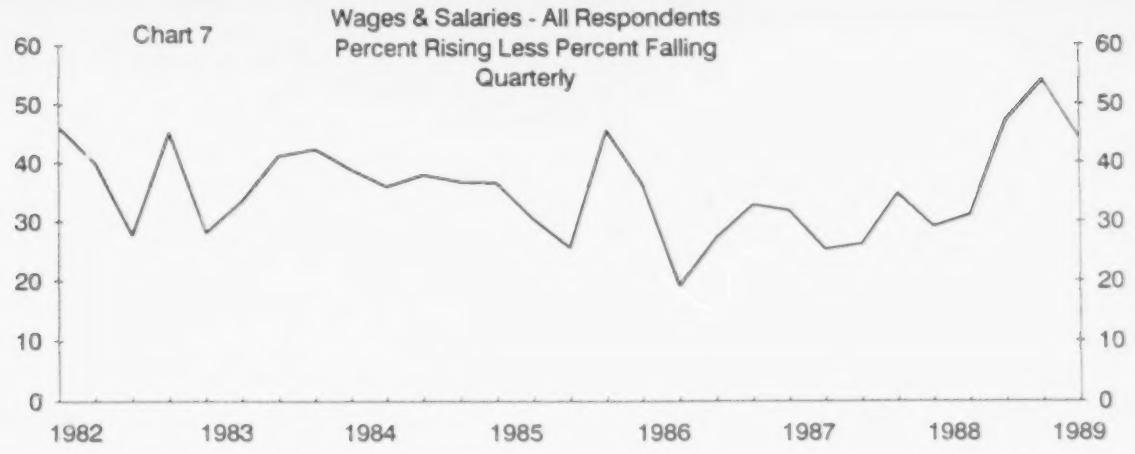
Survey Month	Percentage Reporting Their Prices are: Increasing	Unchanged	Falling	Net Rising
Jun. '89	31.6%	53.0%	15.4%	16.2%
Mar. '89	46.0	42.9	11.1	34.9
Dec. '88	36.9	53.2	9.9	27.0



Costs also showed signs of decelerating during the past three months. While 60% of our survey sample reported rising prices of input materials, this was down from over 70% last quarter. The Net Rising Index fell more than 18 points. Wages and salaries too rose a bit less aggressively during Q2. The Net Rising Index fell 10 points to 44.1% See Chart 7.

Survey Month	Percent Reporting that Material Costs are: Rising	Unchanged	Falling	Net Rising
Jun. '89	60.0%	30.6%	9.4%	50.6%
Mar. '89	71.3	26.4	2.3	69.0
Dec. '88	64.9	29.9	5.2	59.7

Survey Month	Percent Reporting Wages & Salaries: Rising	Unchanged	Falling	Net Rising
Jun. '89	44.9%	54.2%	0.8%	44.1%
Mar. '89	55.7	42.6	1.6	54.1
Dec. '88	48.6	50.0	1.4	47.2



Shortages

Another sign of an easing economy -- 60% of respondents reported no shortages of factor inputs last period. This was the highest "no shortage" reading in over a year. Skilled labor continues to be the most often mentioned problem.

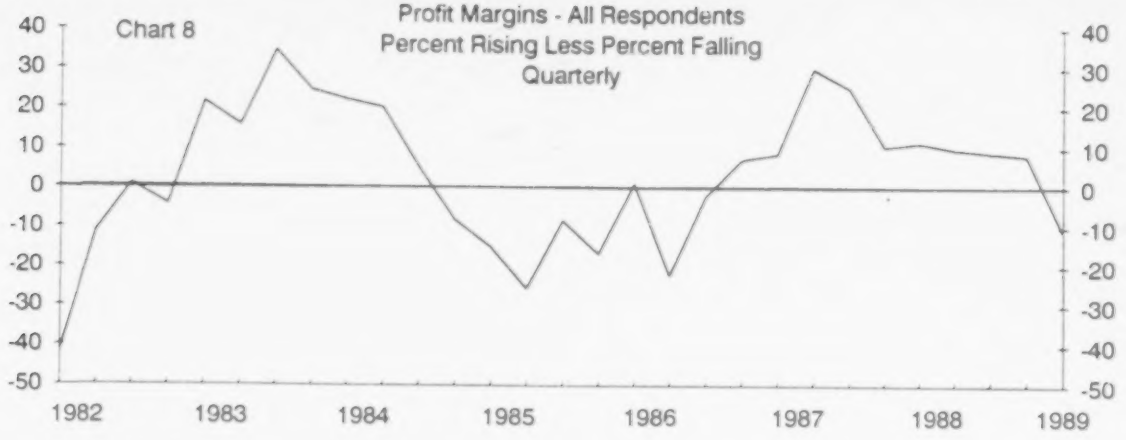
	Percent Reporting Shortages in Survey Month:			
Type of input	Sept.	Dec.	Mar.	Jun.
Skilled Labor	32.6%	28.4%	31.0%	27.1%
Unskilled Labor	11.6	12.1	9.7	13.1
Intermediate Inputs	10.5	13.8	12.4	10.3
Raw Material Inputs	10.5	8.6	9.7	5.6
Capital Goods	5.8	4.3	2.7	4.7
No Shortages	48.8	50.9	52.2	59.8

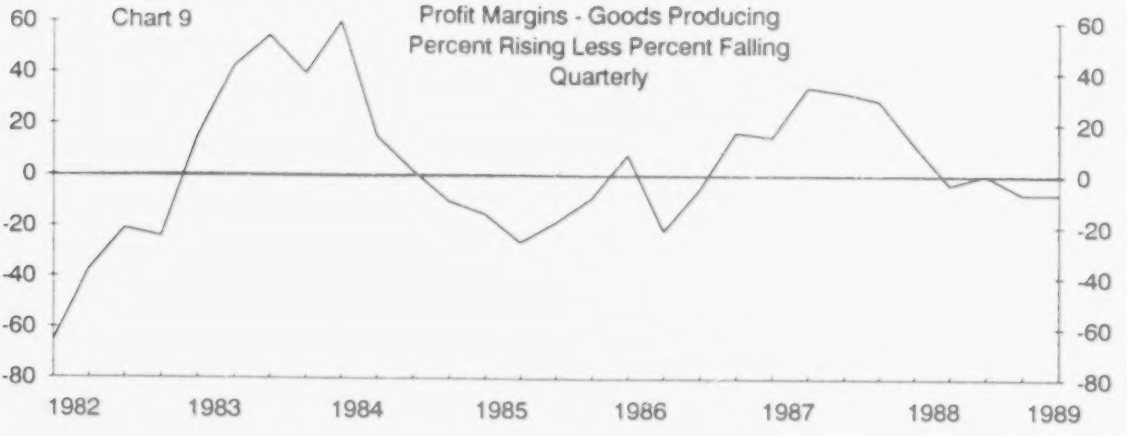
Profits

Profit margins tumbled during the past 3 months as more firms reported margins falling than rising for the first time in ten quarters. See Chart 8. The predominance of falling profitability was also more widespread. Whereas only the goods producing sector displayed a negative Net Rising Index last quarter, this time this key measure was zero or negative across all industry sectors.

	Percent of all Respondents Reporting that Margins are:			
Survey Month	Rising	Unchanged	Falling	Net Rising
Jun. '89	23.1%	42.7%	34.2%	-11.1%
Mar. '89	31.1	45.9	23.0	8.2
Dec. '88	34.3	40.1	25.5	8.8

	Percent Reporting that Profit Margins are:			Net
Sector	Rising	Unchanged	Falling	Rising
Total	23.1%	42.7%	34.2%	-11.1%
Goods-Producing	22.0	48.8	29.3	-7.3
Trade	40.0	20.0	40.0	-0-
TUC	25.0	39.3	35.7	-10.7
Financial Serv.	16.1	38.7	45.2	-29.0





Special Questions

Competitiveness: This year's rise in the dollar's value has had very little impact on our members' firms ability to compete in global markets. Of all respondents 40% said that the dollar's rise has had "little noticeable impact" on their ability to compete. Another 20% said that while the upward valuation has had some effect, their firms are still competitive. Only 7% reported that the rising dollar had either reduced their ability to export or had increased foreign competition at home. Almost 34% said that their firm doesn't face international competition at home or abroad.

Goods producers are much less immune to foreign competition. Less than 5% said they face no international competition vs 34% for the total sample. Still, only 12% of the respondents from this sector reported any real impact from the higher dollar. Nearly half said it had no impact, and 36% reported a minimal impact on their ability to compete.

"Europe 1992": The question we asked was, "From your firm's perspective, is 'Europe 1992' a positive or negative element in the future global business environment?" The resounding answer was mostly positive and definitely not negative. Responses by sector are tabulated below. A large number, mostly public utilities and financial service firms said that "European markets are irrelevant to my firm." In the goods-producing sector the majority was high on the concept.

"Europe 1992" - A Positive or Negative Development?

Sector	Mostly Positive	Mostly Negative	Both Pos. & Neg.	Europe Irrelevant
Total	39.7%	3.3%	24.0%	33.1%
Goods-Producing	52.3	2.3	36.4	9.1
Trade	60.0	-0-	40.0	-0-
TUC	11.1	3.7	14.8	70.4
Financial Serv.	40.6	6.3	21.9	31.3

Panelists from those firms for which European markets are relevant were then asked what steps if any their companies were taking to prepare for "Europe 1992". Multiple answers were permitted. Nearly one-quarter of the respondents' firms are entering the European market via merger, acquisition, joint venture or new investment. A similar number are adding to existing capacity in Europe. Three other, nearly equally popular answers included beefing up marketing and R&D resources in Europe; enhancing the scope of product offerings; reducing costs to enhance competitiveness. Seventeen percent of respondents felt that their firms were already well positioned in Europe and an equal number said that they don't believe "Europe 1992" will significantly alter market conditions.

"Super 301" Targeting: Asked whether they agreed or disagreed with the recent decision to target Brazil, India and Japan under the "Super 301" provisions of the new trade act, those panelists expressing opinions split -- 55% agreeing and 45% disagreeing. Then, asked whether successful negotiations with these countries would have a significant impact on the U.S. Trade deficit, one-third believed it would make a difference; two-thirds believed it would not. Sixty-nine percent of those respondents who expressed an opinion believed that these countries would be equally justified in targeting the U.S. for unfair trade practices.

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